
STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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MEMORANDUM

DATE: July 2003

TO: County Auditors, County Assessors and Township/Trustee Assessors
in Counties that **have not** Approved the 100% Inventory Deduction

FROM: Assessment and Budget Divisions, DLGF

SUBJECT: Certification of Inventory Deduction required by SEA 464 ss

As you know, in the 2002 special session, the General Assembly enacted a law permitting counties to adopt an inventory deduction excluding all inventory from property tax. In the same Act, the General Assembly expanded the interstate commerce deduction of inventory, owned by a processor or manufacturer, to allow inclusion of manufacturing supplies, raw materials, and work-in-process inventory. Prior to this legislation, only finished goods inventory was eligible for the deduction. This expansion took effect for the March 1, 2003, assessment date.

In the last session, the General Assembly enacted legislation to allow units of local government to make up the lost revenue from the newly excluded inventory by raising additional levy in a cumulative fund, capital projects fund or racial balance fund. **In order for the units to advertise and adopt a tax rate for this levy for 2004 budgets purposes, it is necessary to collect the amount of excluded assessed value for the manufacturing supplies, raw materials, and work-in-process.** Since this excluded assessed value is not readily available to the county auditors' offices, it is necessary for assessors to abstract the data from the individual personal property returns and certify it to the county auditor.

In order to get the assessed values to the county auditor in time for that office to certify them to the taxing units, we are asking that you gather the information in two phases: Phase I will produce a quick estimate and Phase II will produce a more exact figure. The procedure we have developed to accomplish this follows:

Phase I

Step 1. Pull all personal property returns filed by processors and manufacturers. This can be accomplished by looking for returns containing a Form 103W where there is a check in the "Manufacturer or Processor" box and/or the box indicating exemption is claimed under 6-1.1-10-29(b)(2).

Step 2. Sort the pulled returns by taxing district. The taxing district can be found on front page of the return.

Step 3. For each personal property taxpayer in a particular district the following calculations are performed:

- 3a. Total line 19, Schedule B of the Form 103 for all returns by taxing district. This produces the total interstate commerce inventory that has been deducted in each taxing district.
- 3b. Multiply the result of step 3a. by 65%. This factors in the 35% valuation adjustment.

Step 4. Certify the result of step 3b. in the "Preliminary" total assessed value column for each taxing district to the county auditor on the form attached to this memorandum. (see attachment) **Assessing officials are required by law to provide this information to the auditor on or before August 1, 2003.**

Phase II

Step 1 and 2. Repeat steps 1 and 2 from Phase I.

Step 3. For each personal property taxpayer in a particular district the following calculations are performed:

- 3a. Get the percent (%) from the box on the Form 103W labeled "Ratio".
- 3b. Multiply this percentage by the amount entered on line 3, Schedule B of the Form 103. The result is the amount of finished goods inventory that has been deducted.
- 3c. Subtract the result of Step 3b. from line 19, Schedule B of the Form 103W. This produces the amount deducted for manufacturing supplies, raw materials, and work-in-process inventory.
- 3d. Multiply the result of Step 3c. by 65%. This factors in the 35% valuation adjustment.

Step 4. Total the results found in Step 3d. for each personal property taxpayer in each taxing district. This yields the total excluded assessed value, by taxing district.

Step 5. Certify the result of step 4. in the "Final" total assessed value column for each taxing district to the county auditor on the form attached to this memorandum. (see attachment) This needs to be completed by October 1, 2003.

If you can complete Phase 2 above prior to August 1, 2003, you may skip Phase 1.

Certification of Excluded Interstate Commerce Inventory

(Raw Materials, Work-in-process, and Manufacturing Supplies only)

County: _____

Assessment Year: _____

[illegible]

Phase I Certification

The assessed values in the "Preliminary" column above represent an estimate of the amount of assessed value for raw materials, manufacturing supplies, and work-in-process inventory that is excluded from property taxation pursuant to IC 6-1.1-10-29(b)(2).

Signature of Assessing Official _____ Date: _____

Phase II Certification

The assessed values in the “Final” column above represent the amount of assessed value of inventory for raw materials, manufacturing supplies, and work-in-process inventory that is excluded from property taxation pursuant to IC 6-1.1-10-29-(b)(2).

Signature of Assessing Official _____ Date: _____